

Operator

Welcome to the first quarter 2026 Sequans Earnings Conference Call. My name is _____, and I will be your operator for today's call. (Operator Instructions)
Please note that this conference is being recorded. I will now turn the call over to David Hanover, Investor Relations. David, you may begin.

David Hanover, IR

Thank you, operator.

And thank you to everyone participating in today's call. Joining me on the call from Sequans Communications are Georges Karam, CEO and Chairman, and Deborah Choate, CFO. Before turning the call over to Georges, I would like to remind our participants of the following important information on behalf of Sequans.

First, Sequans issued an earnings press release this morning and you'll find a copy of the release on the company's website at www.sequans.com under the Newsroom section.

Second, this conference call contains projections and other forward-looking statements regarding future events or our future financial performance and potential financing sources.

All statements other than present and historical facts and conditions contained in this release, including any statements regarding our business strategy, cost optimization plans, strategic options, the ability to enter into new strategic agreements, expectations for sales, our ability to convert our pipeline to revenue and our objectives for future operations are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934 as amended.

These statements are only predictions and reflect our current beliefs and expectations with respect to future events and are based on assumptions and subject to risk and uncertainties and subject to change at any time. We operate in a very competitive and rapidly changing environment. New risks emerge from time to time. Given these risks and uncertainties, you should not rely on or place undue reliance on these forward-looking statements.

Actual events or results may differ materially from those contained in the projections or forward-looking statements. More information on factors that could affect our business and financial results are included in our public filings made with the Securities and Exchange Commission.

And now I'd like to hand the call over to Georges Karam. Please go ahead, Georges.

Georges Karam, CEO and Chairman

Thank you, David and good morning everyone.

I'd like to begin with a brief update on our capital allocation strategy, including how we are approaching the management of our digital asset holdings alongside the continued execution of our IoT semiconductor business.

Our priority remains clear. We are focused first and foremost on executing our IoT strategy, scaling our product business, and advancing our 5G roadmap in a disciplined way to create long-term shareholder value.

In parallel, we have continued to manage our Bitcoin holdings with a pragmatic and opportunistic approach. In light of current market conditions, we made the decision earlier this year to eliminate all debt-related risk by negotiating an early redemption agreement with our debt holders. This allows us to fully redeem the \$94.5 million of convertible debt by June 1, 2026, funded through the sale of Bitcoin that had been held as collateral.

As of today, we have already redeemed approximately 62% of this debt, and the remaining balance will be redeemed in the coming weeks. By June 1, we expect to have a near debt-free balance sheet, with at least 600 Bitcoin held as unencumbered assets.

Looking ahead, we do not intend to further pursue our treasury strategy. Instead, our objective will be to monetize these holdings over time in a disciplined manner, balancing market conditions with our broader capital needs. Importantly, we remain focused on maintaining a strong cash position to support operations, invest in our 5G IoT roadmap, and provide stability as we scale the business.

Turning now to the operational side of the business, our IoT semiconductor business continues to demonstrate solid underlying momentum.

For the first quarter, we generated \$6.1 million in revenue. This performance is broadly in line with our expectations and reflects continued strength in product revenue, despite supply challenges, partially offset by variability in the timing of services revenue. Looking ahead, we continue to benefit from a strong backlog, which provides good near-term visibility.

Our order backlog continues to build, with approximately \$22 million in revenue, primarily product-related, already secured for the year, along with early indications of orders extending into the first quarter of next year. This provides us with increasing confidence in the trajectory of the business as we move through 2026 and confirms the healthy nature of our design win pipeline and related key performance indicators we track.

Our full-year outlook continues to be supported by an increasing number of design-win projects transitioning to production. We entered the year with more than \$300 million in potential three-year product revenue from design-win projects. Of these, 44% had already reached the production phase and are generating revenue.

During the first quarter, three additional design-win projects transitioned into production, and we expect additional projects to follow in the second quarter. As a result, we continue to anticipate that more than half of our current design-win pipeline will be in production by the end of June, representing approximately \$150 million in potential three-year revenue.

We are also seeing strong momentum with new customer engagements. In the first quarter, we engaged more than a dozen new customer projects, with six already confirmed as design wins. These programs are expected to contribute to growth beginning in 2027 and beyond.

Our product pipeline remains primarily driven by our 4G Cat-M and Cat-1bis technologies. It also includes our RF transceiver product, which supports a wide range of software-defined radio applications, including defense and drone use cases. In addition, we have initiated early engagements around 5G eRedCap, which will be the future successor to 4G in cellular IoT deployments.

Smart metering, telematics, and asset tracking continue to represent our strongest verticals, followed by security, eHealth and medical, and other industrial applications.

Turning now to product ramps and key drivers. Cat-M continues to be a meaningful growth driver in 2026, led primarily by asset tracking and smart metering deployments. This business is scaling in line with expectations, supported by strong visibility and steady ordering patterns, as many Cat-M design-win projects are now in production with key customers deployments underway.

Cat-1bis is positioned for a breakout year, supported by multiple customer ramps across telematics, security, and some metering use cases. We are already seeing revenue contribution from several design wins, with additional projects expected to enter production in the second half of the year. We are also seeing incremental opportunities driven by current market dynamics, which are creating openings for Sequans to gain share.

In our RF transceiver business, we continue to see stable demand from existing customers, supported by committed backlog, and we expect additional contribution in the second half of the year. At the same time, we are engaging with a number of new prospective customers, particularly in defense and drone applications, and we expect to begin securing some of these opportunities in the near term. We are also advancing discussions around licensing and collaboration opportunities, which could further expand the reach of our RF portfolio.

More broadly, our product pipeline continues to mature, with several design-win programs progressing toward production. We are also seeing new-generation product opportunities with existing customers, which provide incremental upside within our installed base.

At the same time, we are actively preparing for the next major transition in IoT connectivity, which is the migration from 4G to 5G.

Market demand for our 5G eRedCap solution continues to strengthen, particularly as mobile network operators look to refarm 4G spectrum and accelerate broader 5G deployment. Importantly, IoT applications represent the final phase of this 4G-to-5G transition, and these applications require long device lifecycles, often ten years or more, making a seamless and future-proof migration path essential.

Unlike the 4G era, where the market became fragmented across multiple cellular technology categories, we expect the 5G IoT landscape to be more streamlined, centered around eRedCap as the primary standard. This creates a more efficient and scalable ecosystem for both customers and suppliers.

Sequans is well positioned in this transition. We already have an established customer base across our 4G portfolio, and we expect to leverage these relationships as we introduce our 5G solutions. In many cases, customers will be able to transition using solutions designed to be compatible with existing deployments, enabling a smoother upgrade path.

We continue to make strong progress on our 5G eRedCap program. During the quarter, we received our first engineering test chips, which are now in-house and under evaluation. This represents an important milestone as we advance toward customer sampling, which we continue to target for the second half of 2027.

Looking ahead, we believe 5G IoT will represent a significant long-term growth opportunity, both in terms of market size and value per device, supporting improved pricing dynamics relative to 4G.

Now turning to services and licensing. Our services and licensing business continues to represent an important source of high-margin revenue, although timing of revenue recognition can vary from quarter to quarter.

On this front, we have several on-going discussions that could contribute to revenue over the course of 2026. These include engagements with large global partners, licensing and collaboration opportunities leveraging our RF and 5G IP portfolio, as well as a range of smaller service engagements.

These opportunities provide potential upside to our product-driven revenue base while also expanding our reach into new markets and applications. We remain focused on converting these discussions into revenue while managing expectations around timing.

On the supply chain side, we continue to operate in a dynamic cost and supply environment. We are seeing significant increases in memory pricing, which are impacting the cost of both our chips and modules. We are actively working to address these cost pressures while ensuring we can meet customer demand.

At the same time, we have taken proactive steps to secure supply, including multi-sourcing across key components such as memory and packaging. Based on our current plan, we believe supply for our 2026 baseline demand is secure, although we continue to monitor potential upside scenarios.

Overall, while cost pressures and supply challenges are real, they are manageable and consistent with broader industry trends.

As we move through 2026, we remain focused on disciplined cost management and reducing cash burn. Our objective continues to be reaching a break-even run rate by the end of the year as revenue scales. We implemented a cost-reduction plan at the

end of last year, and while the full benefits will not be realized until mid-year, we are confident in achieving our expense targets in the second half.

Working capital dynamics will continue to evolve alongside growth, particularly as we support production ramps and manage supply chain requirements. These dynamics may create short-term variability, but they are aligned with long-term revenue growth.

Overall, our performance underscores the progress we are making in strengthening our core IoT business, improving financial discipline, and maintaining flexibility in our capital strategy.

Regarding our outlook for the second quarter, we currently expect revenue to be in the range of \$6.8 million to \$7.4 million, driven predominantly by product revenue, with potential upside if new licensing deals are closed.

Based on our backlog and continued momentum across our design-win pipeline, we expect revenue to build sequentially throughout the remainder of the year. We also remain focused on reducing cash burn and continue to believe we can approach cash flow break-even by the end of the year as the business scales.

Looking ahead, we will continue to evaluate strategic alternatives that could accelerate profitability and unlock additional value for shareholders. What is clear to us is that we are operating from a position of strength. We have a solid balance sheet, a growing and increasingly productive IoT business, and a differentiated 5G and RF IP portfolio that we believe will be a key driver of long-term value.

As we discussed earlier, the transition from 4G to 5G in IoT represents a fundamental shift in the market. With eRedCap expected to become the primary standard, we believe this will create a larger, more unified, and more scalable market than what we saw in the 4G cycle.

Sequans is uniquely positioned to benefit from this evolution. We expect to leverage our existing 4G customer base as a natural entry point into 5G, enabling a more efficient transition for customers while accelerating our own time to market. Combined with the expected premium pricing and expanded market opportunity, we believe this positions us to drive meaningful long-term growth and improved profitability.

In parallel, we will complete the redemption of our debt by June 1 and continue to manage our capital allocation with discipline, maintaining a strong cash position while preserving flexibility to act opportunistically as conditions evolve.

Overall, we remain focused on scaling our IoT business, advancing our 5G roadmap, developing our new RF Transceiver business, and executing against the key drivers that we believe will unlock the full value of Sequans over time.

With that, I will now turn the call over to Deborah Choate to review our financial results in greater detail.

Deborah Choate, Chief Financial Officer:

Thank you, Georges.

I'll begin by reviewing our first-quarter financial results and then provide an update on our balance sheet and digital asset holdings.

During the first quarter, our financial results continued to reflect the underlying momentum in the IoT business, along with the impact of actions taken earlier this year to strengthen our balance sheet and simplify our capital structure.

For Q1 2026, total revenue was \$6.1 million, compared to \$6.9 million in the fourth quarter. As Georges mentioned, revenue in the quarter was primarily driven by product sales, with ongoing variability in licensing and services revenue timing.

Gross margin for the quarter was 37.7%, compared to 41.4% in the fourth quarter, and reflects the ongoing impact of supply chain dynamics, but especially revenue and product mix.

Operating expenses for the quarter, including only R&D and SG&A, were \$11.8 million, compared to \$12.3 million in the fourth quarter. We continue to make progress on our cost reduction plan and remain on track to achieve lower operating expense levels in the second half of the year.

During the quarter, we recorded \$29.3 million of non-cash charges related to the mark-to-market valuation of our Bitcoin holdings, compared to \$56.3 million in the fourth quarter. As a reminder, these charges are driven by market price movements and do not reflect underlying operating performance.

We also recorded \$11.7 million of realized losses on the sale of Bitcoin during the quarter, compared to \$6.1 million in the fourth quarter, primarily associated with the ongoing redemption of our convertible debt.

As discussed previously, the convertible debt and associated embedded derivative continue to be remeasured each reporting period, resulting in non-cash impacts to the P&L. In addition, IFRS accounting requires us to recognize non-cash interest expense associated with this 0% coupon instrument.

Reflecting these factors, we reported an IFRS net loss of \$54.3 million for the quarter, compared to an IFRS net loss of \$76.4 million in the fourth quarter.

On a non-IFRS basis, excluding significant non-cash items, we reported a net loss of \$20.7 million, or \$1.42 per ADS, compared to a non-IFRS net loss of \$16.2 million, or \$1.04 per ADS, in Q4.

The comparative numbers for Q4 and Q1 2025 have been adjusted from the unaudited figures published on February 10, 2026 and in May 2025. In finalizing the audit, we made adjustments related to the timing and amount of revenue recognized, the accounting for the compound financial instruments issued in July 2025 and related embedded derivatives, the finalization of ACP purchase accounting and other adjustments attributable to normal year-end closing procedures, audit adjustments, and the completion of management's review.

We are currently still finalizing with our auditors the documentation and disclosure of impairment tests for the ACP goodwill and other acquired intangibles on the balance sheet. The ongoing discussions regarding determination of the cash generating unit to be evaluated and the most appropriate valuation models resulted in delays in issuance of the audit report and therefore we filed a statement indicating we would need to extend our filing deadline. We expect to file the Form 20-F this week.

Turning to cash flow, normalized operating cash burn for the quarter was just under \$10 million, compared to approximately \$7.7 million in the fourth quarter, including working capital movements. As Georges mentioned, working capital can fluctuate as we support production ramps and secure supply.

During the quarter, we continued to execute on our balance sheet strategy. As of March 31, 2026 we had redeemed \$28.3 million of the \$94.5 million face value debt that was outstanding on December 31, 2025. As of April 30th, we had redeemed approximately 62% of this convertible debt, funded through the sale of 800 Bitcoin, leaving a balance of approximately \$35.9 million due, which we expect to redeem in full by June 1, 2026.

As of the end of Q1, we held cash and cash equivalents of approximately \$10.6 million, compared to \$13.4 million at year-end 2025.

As of the end of Q1, we held 1,514 Bitcoin compared to 2,139 Bitcoin at year-end 2025. As of April 30th we held 1,114 Bitcoin and expect that we will hold at least 600 Bitcoin after full redemption of the debt, all of which will be fully available for sale.

Following completion of the debt redemption, we expect to have a near debt-free balance sheet, with a simplified capital structure and increased financial flexibility.

Overall, our financial results for the quarter reflect continued progress in scaling the IoT business, improving cost discipline, and strengthening the balance sheet.

Before turning the call back to Georges, I'd like to cover a few housekeeping matters:

- We expect to conclude the final audit procedures with our auditors this week and be in a position to file our annual report on Form 20-F. Since we filed an extension notification, as long as we file by May 15th, we will still be considered a timely filer.
- We are currently preparing for our annual shareholders' meeting on June 30, 2026. You should expect to see voting materials by early June. Most of the resolutions will be our normal recurring resolutions that you see each year. One of these resolutions is to ask for authorization for a capital increase. This year we will ask for authorization to issue up to 7.5 million ADS including up to \$15M in the form of convertible debt. We would like to clarify that we are asking for this authorization only to provide flexibility in the event that we have a strategic opportunity that would require issuance of convertible debt or equity. We have no plans to do any equity raise to finance operations. In fact, the shelf registration statement and ATM program we filed in August 2025 were filed when we had the market cap to be an accelerated filer and were automatically effective. Upon the filing of the 2025 annual report on Form 20-F, we no longer satisfy the requirements for using an automatic shelf and therefore we can no longer issue equity under the August shelf registration or the ATM Program.

With that, I'll turn the call back to Georges.

Georges:

As we close, I want to reiterate that our primary focus remains on executing and scaling our IoT business, and expanding to SDR markets, such as drones and defense. We are seeing solid momentum across the portfolio, supported by a growing backlog, a maturing design-win pipeline, an increasing number of projects transitioning into production, and several advanced licensing and services deals. With continued strength across Cat-M, Cat-1bis, and RF transceivers, and with early engagement around 5G eRedCap, we believe the business is well positioned to drive sequential growth while maintaining a clear path toward cash-flow break-even.

At the same time, we have taken decisive steps to simplify and strengthen our balance sheet. By eliminating our convertible debt and transitioning away from the treasury strategy, we are increasing financial flexibility and sharpening our focus on the core business. Going forward, our priority is to monetize our remaining Bitcoin holdings in a

disciplined way, while ensuring we maintain the liquidity needed to support operations and invest in our 5G roadmap.

Overall, we believe we are entering an important phase for the company, with a stronger financial foundation, improving operational visibility, and a clear path to long-term value creation.